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4

**UNITED STATES BANKRUPTCY COURT**  
**DISTRICT OF NEVADA**

5 In re:

6 USA COMMERCIAL MORTGAGE  
 COMPANY,

7 USA CAPITAL REALTY ADVISORS,  
 LLC,

8 USA CAPITAL DIVERSIFIED TRUST  
 DEED FUND, LLC,

9 USA CAPITAL FIRST TRUST DEED  
 FUND, LLC,

10 USA SECURITIES, LLC, Debtors.

11 Affects:

- 12  All Debtors
- 13  USA Commercial Mortgage Company
- 14  USA Capital Realty Advisors, LLC
- 15  USA Capital Diversified Trust Deed Fund, LLC
- 16  USA Capital First Trust Deed Fund, LLC
- 17  USA Securities, LLC

18 Case No. BK-S-06-10725-LBR  
 Case No. BK-S-06-10726-LBR  
 Case No. BK-S-06-10727-LBR  
 Case No. BK-S-06-10728-LBR  
 Case No. BK-S-06-10729-LBR

19 CHAPTER 11

20 Jointly Administered Under Case No.  
 BK-S-06-10725 LBR

**FIRST OMNIBUS OBJECTION OF  
 USACM TRUST TO PROOFS OF  
 CLAIM BASED UPON  
 INVESTMENT IN THE RIVIERA –  
 HOMES FOR AMERICA HOLDING  
 LOAN; AND CERTIFICATE OF  
 SERVICE**

Date of Hearing: February 21, 2008  
 Time of Hearing: 9:30 a.m.

21 The USACM Liquidating Trust (the “USACM Trust”) moves this Court, pursuant  
 22 to § 502 of title 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) and  
 23 Rule 3007 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), for an  
 24 order disallowing Proofs of Claim filed by individual investors (“Direct Lenders”) against  
 25 USA Commercial Mortgage Company (“USACM”) that are based upon an investment in  
 26 the Riviera – Homes for America Holding loan (the “HFA – Riviera Loan”). This



1 Objection is supported by the Court's record and the Declaration of Edward M. Burr filed  
2 with the Court at DE 5616 (the "Burr Decl.").  
3

## 4 I. INTRODUCTION

5 1. On about May 26, 2006, the borrower paid off the HFA – Riviera Loan in  
6 full. In turn, USACM distributed the proceeds from the HFA – Riviera Loan to the Direct  
7 Lenders who invested in the HFA – Riviera Loan. The Direct Lenders were thus paid in  
8 full, subject to servicing fees and any other charges under their respective Loan Servicing  
9 Agreements and this Court's orders, including the Confirmation Order. Accordingly, there  
10 is no longer any basis for a Direct Lender claim against USACM based upon an  
investment in the HFA – Riviera Loan.  
11

12 2. This Objection seeks to disallow Direct Lender claims that are based entirely  
upon an investment in the HFA – Riviera Loan. Those claims are listed in **Exhibit A**,  
13 attached.  
14

## II. JURISDICTION

15 1. The Court has jurisdiction over this Objection pursuant to 28 U.S.C. §§ 1334  
16 and 157. Venue is appropriate under 28 U.S.C. §§ 1408 and 1409. This matter is a core  
17 proceeding under 28 U.S.C. § 502 and Bankruptcy Rule 3007.  
18

19 2. The statutory predicate for the relief requested herein are 11 U.S.C. § 502  
and Bankruptcy Rule 3007.  
20

## III. BACKGROUND

21 1. On April 13, 2006 ("Petition Date"), USACM, USA Securities, LLC ("USA  
22 Securities"), USA Capital Realty Advisors, LLC ("USA Realty"), USA Capital  
23 Diversified Trust Deed Fund, LLC ("DTDF"), USA Capital First Trust Deed Fund, LLC  
24 ("FTDF," together with DTDF, the "Funds") (collectively, the "Debtors"), filed voluntary  
25 petitions for relief under chapter 11 of the Bankruptcy Code. Debtors continued to operate  
26 their businesses, if any, as debtors-in-possession pursuant to sections 1107(a) and 1108 of



1 the Bankruptcy Code. Debtors' post-petition management of the Debtors was under the  
2 direction of Thomas J. Allison of Mesirow Financial Interim Management, LLC  
3 ("Mesirow"), who served as the Chief Restructuring Officer.

4 2. USACM is a Nevada corporation that, prior to the Petition Date, was in the  
5 business of underwriting, originating, brokering, funding and servicing commercial loans  
6 primarily secured by real estate, both on behalf of investors and for its own account.

7 3. That business included the solicitation of individual investors to purchase  
8 fractional interest in loans that USACM originated and then serviced. These investors,  
9 totaling approximately 3,600 as of the Petition Date, are referred to as "Direct Lenders" in  
10 USACM's bankruptcy case and in this Objection.

11 4. Although USACM serviced and sometimes originated the loans in which the  
12 Direct Lenders invested, generally USACM was not a borrower on these loans.

13 5. On September 14, 2006, the Court entered its Order Setting Deadline to File  
14 Proofs of Claim and Proofs of Interest [Docket No. 1280] (the "Bar Date Order"). The  
15 Bar Date Order established 5:00 p.m., prevailing Pacific Time, on November 13, 2006, as  
16 the deadline ("Bar Date") for creditors to file proof of claims.

17 6. On September 25, 2006, Debtors served a copy of the Bar Date Order on  
18 their service lists [Docket No. 1358]. All Creditors, including the Direct Lenders, were  
19 served with a copy of the Bar Date order as well [Docket No. 1358].

20 7. On November 6, 2006, a stipulation was filed and an order entered extending  
21 the Bar Date for Direct Lenders only to file proofs of claim until January 13, 2007 [Docket  
22 No. 1729].

23 8. On January 8, 2007, this Court entered its Order Confirming the "Debtors"  
24 Third Amended Joint Chapter 11 Plan of Reorganization" as Modified Herein [Docket No.  
25 2376] (the "Confirmation Order").



1       9. Under the Plan, the USACM Trust is the successor to USACM with respect  
2 to standing to seek allowance and disallowance of Claims.

3       10. Under the Plan, unsecured claims of Direct Lenders against USACM are  
4 classified in Class A-5. Allowed Unsecured Claims “shall receive a beneficial interest in  
5 the USACM Trust, and on account of their Allowed Claim may receive a Pro Rata Share  
6 of the assets of the USACM Trust after satisfaction of all Allowed unclassified Claims,  
7 Allowed Class A-1, A-2, and A-3 Claims, and all post-Effective Date fees, costs, and  
8 expenses of implementation of the USACM Plan for USACM and the USACM Trust.”

9       11. The USACM Trust exists as of the Effective Date of the Plan, which was  
10 March 12, 2007. Geoffrey L. Berman is the Trustee.

11       12. **Exhibit A** to this Objection lists Proofs of Claim filed by Direct Lenders that  
12 appear to be based entirely upon an investment in the HFA – Riviera Loan. (Burr Decl.  
13 ¶ 8.) For each claim listed, **Exhibit A** identifies the Proof of Claim number, the claimant,  
14 the claimant’s address, and the total amount of the claim. The claims listed in **Exhibit A**  
15 are referred to hereafter as the HFA – Riviera Claims. (Burr Decl. ¶ 8.)

16       13. On or about May 26, 2006, the HFA – Riviera Loan was paid off in full, as  
17 reflected in USACM’s books and records. (Burr Decl. ¶ 9.) Shortly thereafter, USACM  
18 processed the payoff and distributed the proceeds to the Direct Lenders on the HFA –  
19 Riviera Loan. (Burr Decl. ¶ 9.)

20       14. The Direct Lenders were in turn paid in full, subject to servicing fees and  
21 any other charges under their respective Loan Servicing Agreements and this Court’s  
22 orders, including the Confirmation Order. In general, the Direct Lenders received their  
23 principal and interest on the HFA – Riviera Loan, less sums withheld for servicing fees,  
24 servicer advances, Prepaid Interest and sums known as the 2% Holdback pursuant to the  
25 Confirmed Plan. On the Effective Date of the Plan, the Prepaid Interest was applied, a  
26



1 portion of the 2% Holdback was applied to the allowed claims of the Direct Lender  
2 Committee, and the balance paid to the Direct Lenders. (Burr Decl. ¶ 10.)

3       15. Accordingly, the USACM Trust no longer has further obligations to the  
4 Direct Lenders arising out of the HFA – Riviera Loan because, pursuant to USACM’s  
5 books and records, the HFA – Riviera Loan has been repaid in full, and the Direct Lenders  
6 have received such payment. (Burr Decl. ¶ 11.)

7 **IV. APPLICABLE AUTHORITY**

8       1. Under the Bankruptcy Code, any Claim for which a proof of claim has been  
9 filed will be allowed unless a party in interest objects. If a party in interest objects to the  
10 proof of claim, the Court, after notice and hearing, shall determine the amount of the  
11 Claim and shall allow the Claim except to the extent that the Claim is “unenforceable  
12 against the debtor . . . under any . . . applicable law for a reason other than because such  
13 claim is contingent or unmatured.” 11 U.S.C. § 502(b).

14       2. The USACM Trust is entitled to object to proofs of claim under 11 U.S.C.  
15 § 502(a). This objection is timely under the confirmed Plan, as the deadline for such  
16 objections has been extended to February 12, 2008, by this Court’s orders.

17       3. A properly filed proof of claim is presumed valid under Bankruptcy Rule  
18 3001(f). However, once an objection to the proof of claim controverts the presumption,  
19 the creditor ultimately bears the burden of persuasion as to the validity and amount of the  
20 claim. *See Ashford v. Consolidated Pioneer Mortg. (In re Consolidated Pioneer Mortg.)*,  
21 178 B.R. 222, 226 (B.A.P. 9th Cir. 1995), *aff’d*, 91 F.3d 151 (9th Cir. 1996). The ultimate  
22 burden of proof as to the validity of a proof of claim “remains at all times upon the  
23 claimant.” *Lundell v. Anchor Constr. Specialists, Inc. (In re Lundell)*, 223 F.3d 1035,  
24 1039 (9th Cir. 2000).

#### V. OBJECTION TO CLAIMS LISTED IN EXHIBIT A

1. **Exhibit A** attached hereto and incorporated herein by this reference lists the HFA – Riviera Claims. The USACM Trust objects to these claims because they are based entirely upon an investment in the HFA – Riviera Loan. According to USACM’s books and records as reconstructed by Mesirow, the HFA – Riviera Loan has been repaid in full, and the Direct Lenders have received such payment, as provided by the applicable Loan Servicing Agreement, this Court’s orders and the Confirmation Order.

2. The USACM Trust reserves the right to further object to any and all Claims, whether or not the subject of this Objection, for allowance and/or distribution purposes on any other grounds. The USACM Trust further reserves the right to modify, supplement and/or amend this Objection as it pertains to any Claim or claimant herein.

## VI. CONCLUSION

1. The USACM Trust respectfully requests that the Court disallow the claims listed in **Exhibit A**. The USACM Trust also requests such other and further relief as is just and proper.

Dated: January 10, 2008.

LEWIS AND ROCA LLP

By /s/ Rob Charles (#6593)  
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1 Copy of the foregoing mailed by first class  
2 Postage prepaid U.S. Mail on  
3 January 10, 2008 to:

4 All parties in interest listed on  
5 Exhibit A attached.

6 /s/ Renee L. Creswell

7 Renee L. Creswell

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